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Global Analysis Report

Fruit Juices
In China

April 2014

EXECUTIVE SUMMARY

- In 2012, sales of fruit/vegetable juice in China reached a total of US$16.6 billion.
- The market for fruit juice in China is positioned for good growth, stemming from the demand for products that use superfruit ingredients, as well as products that are 100% natural, high in quality and novel in taste.
- Fruit/vegetable juice is expected to have a healthy compound annual growth rate (CAGR) of 10.1% from 2007 to 2017.
- Juice drinks garnered the majority of sales in the fruit/vegetable juice category, followed by nectars.
- Affluent Chinese consumers are willing to pay premium prices for branded products and are receptive to new flavours from overseas.
- More and more Chinese consumers are consuming healthy, nutritious foods. The most important factors influencing the decision to buy these foods are effectiveness, safety, trusted brands, convenience and pricing.
- The limited development within certain high concentration juice markets is attributable to high prices and a dwindling supply of fruit that is suitable for juicing.
- Product manufacturers who can build a need for their products by demonstrating relevance to the Chinese consumer will be best places to succeed.

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INTRODUCTION

- Off-trade (non-foodservice), per capita consumption of fruit/vegetable juice beverages has been rising slowly from 7.2 litres in 2007 to 11.2 litres in 2012.
- In a 2012 Chinese consumer survey[1], the majority of respondents reported drinking fruit juice and juice drink products weekly, with 23% consuming these products three to five times a week, and another 23% drinking juice at least once or twice a week. Further survey findings are as follows:
  - Males aged 20-29 consumed the most juice, followed by males aged 30-39.
  - Single consumers edged out married consumers by a slight margin in terms of the highest juice consumption.
  - Households without children recorded slightly higher juice consumption than homes with children.
  - Consumers who drink juice more than once a week tend to live in the Changchun, Chengdu, and Hefei areas of China.
  - 62% of Chinese juice consumers aged 40-49 prefer mini-sized juice packages over regular-sized ones.
  - Juice was purchased most often for personal consumption (90%), followed by spousal consumption (62%), and consumption by children (44%).
  - The majority of Chinese consumers drank fruit/vegetable juice in the mid-afternoon (45%). Mid-morning (39%) was the next most popular time to consume juice.

MARKET ENVIRONMENT

- The majority of sales in China's juice category have consistently come from the fortified functional (FF) fruit/vegetable group over the past few years, with approximately 66% of total sales in 2012. This group also experienced the highest growth rate at an impressive 27.9% over 2011 figures.

China Juice Market Sizes - Historic/Forecast - by Value US $ millions - by Volume in millions of litres

Category	2011	2012	2013	2015	2017
Value sales					
FF Fruit/Vegetable Juice	4,836.3	6,148.3	7,861.0	11,795.2	15,686.1
NH Fruit/Vegetable Juice	2,553.8	2,910.6	3,372.5	4,530.4	5,938.8
Reduced Sugar Fruit/Vegetable Juice	177.0	208.8	249.5	351.5	482.1
Total FF/NH/Reduced Sugar Fruit/vegetable juice	**7,567.1**	**9,267.7**	11,483.0	16,677.1	22,107.0
Volume sales					
FF Fruit/Vegetable Juice	4,765.3	5,880.1	7,268.3	10,186.0	12,644.8
NH Fruit/Vegetable Juice	1,667.8	1,859.6	2,094.9	2,650.1	3,264.4
Reduced Sugar Fruit/Vegetable Juice	153.3	176.3	203.6	268.2	343.9
Total FF/NH/Reduced Sugar Fruit/vegetable juice	**6,586.4**	**7,916.0**	9,566.8	13,104.3	16,253.1

Source: *Euromonitor, 2013*

[1] Survey of 3,000 consumers aged 20+ conducted in February 2012 by QQSurvey/Mintel.

Influencers

- According to Euromonitor (2012), Chinese juice consumers prefer real fruit/vegetable juice products over fruit-flavoured juice drinks made from concentrates.
- Many Chinese consumers of juice concentrates do not follow manufacturers' suggested dilution rate, preferring instead to use more water than recommended to achieve a lighter taste, and allowing price-concious consumers to get more value from liquid concentrates.
- Limited access to concentrates in China is pushing up prices. However, volume sales were low in 2012, increasing by only 200,000 litres over 2011 figures. This trend reflects the continued low popularity of this type of juice product.
- Juices are most often consumed with a meal and are seen as ideal for the lunch box.
- Chinese consumers preferred 100% juice not from concentrate to be chilled, versus reconstituted 100% juice, which they preferred at room temperature. Most reconstituted 100% juice sold in China is processed at an ultra-high temperature, allowing it to be stored a room temperature. This gives exporters opportunity to expand distribution across the country.
- Chinese consumption of fresh apples in China is affecting the fruit juice market Fresh apple consumption in China has soared 80% in recent years (United States Department of Agriculture [USDA], 2012), compared to growth of 36% globally for the same period. China produces more than 50% of the global supply of apples; as a result, the price of apple juice concentrate has increased and is squeezing margins for producers of apple juice. With supply strained, the juice-making market is having difficulty securing enough fresh apples for concentrates.
- Chinese consumers with high incomes in comparison to other Asian countries (those of 30-34 years of age making at least US$5,637 per year and those aged 35-39 making at least US$5,499), who prefer healthy food and beverages and have low price-sensitivity, are the target demographic for highly concentrated juice, imported juice and not-from-concentrate juice (Mintel, 2012).

Retail

- Retail sales of fruit/vegetable juice in China have been growing since 2007, reaching 15 billion litres in 2012. Juice drinks recorded the strongest growth in 2012, with an increase of approximately 10% in total value terms, reaching US$16.6 billion. This growth was attributed to Chinese consumers' rising health awareness and preference for health-oriented drinks over unhealthy carbonated options. Forecasts by Euromonitor suggest that value sales in the Chinese fruit/vegetable juice market will reach US$24.5 billion in 2017, a CAGR of 7.9% from 2013-2017.
- Average unit prices of fruit/vegetable juice kept rising in 2012. Despite the increase in the cost of raw materials, manufacturers have only partially passed these costs on to consumers, so as to not negatively affect sales. The average Chinese consumer will continue to remain price-sensitive, which will lead companies to implement promotional activities or to make price increases less obvious, through such strategies as reducing package size.

China Juice Market – Historic/Forecast – Retail Off-Trade Value Sales in US$ Billions

Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Health and wellness beverages	20.4	23.4	26.0	29.7	35.0	40.9	47.6	55.0	62.8	71.2	80.8
Fruit/vegetable juice	9.4	10.9	12.3	14.0	15.3	16.6	18.1	19.7	21.3	23.0	24.5
100% Juice	0.4	0.4	0.5	0.6	0.6	0.6	0.7	0.8	0.8	0.9	1.0
Fruit-flavoured drinks (no juice content)	-	-	-	-	-	-	-	-	-	-	-
Juice drinks (up to 24% juice)	7.5	8.8	9.9	11.4	12.6	13.9	15.3	16.7	18.1	19.6	20.9
Nectars (25-99% juice)	1.5	1.7	1.9	2.1	2.1	2.1	2.1	2.2	2.3	2.5	2.6

Source: *Euromonitor, 2013*

Flavours

- New flavours are well accepted by Chinese fruit/vegetable juice consumers, who are very keen on the new and exotic.
- Chinese consumers prefer orange flavours for their fruit and vegetable juices, with mixed flavours gaining attention, as consumers believe that these combinations offer more nutrition. Other popular juice flavours in China include grape, pomegranate, apple, and carrot.
- Leading flavours for juice drinks (products comprised of up to 24% real juice) were orange, mixed fruit, and lemon and lime.
- Leading flavours in the liquid concentrate market are by breakdown volume: orange (48.5%), apple (24.5%), and mixed fruit (9%). The most popular flavours in powder concentrates are similar, with orange (43%), apple (26%), and lemon (22%) the favoured choices.
- Mintel has reported growth in the number of instances that blueberry flavouring appeared in new juices in China since 2008. It moved up from the ninth-most popular flavour incorporated into juices in 2008, to the eighth-most popular flavour in 2010 (5% of new product launches), and became the second-most popular flavour in 2012 (8% of new product launches).

Competition

- The Chinese fruit/vegetable juice market is highly competitive, with both domestic and international companies featuring strongly. Coca-Cola Co., Ting Hsin International Group, and Uni-President Enterprises Corp. were the market leaders for all fruit/vegetable juices in China, together owning over 30% of the market in 2012. Each of the remaining companies in the sector had less than a 4.1% market share.
- In 2012, domestic company Xindebao Food Co. Ltd. dominated sales in the juice liquid concentrate category (Euromonitor, 2012). Their Sunquick brand had a 27.2% market share. Other manufacturers claimed small shares each of the remaining 72.8%[2] of sector sales. Multinationals Kraft Foods China Inc. (Tang) and Nestle China Ltd. (Nestle C+ and Nestea) were the top players in the powder

[2] Futher breakdown of market share not available.

concentrates category, with 41.1% and 19.8% share, respectively. The liquid concentrate market is predicted to see a CAGR of 3.5% from 2011 to 2016. Powder concentrates are expected to see a lower CAGR of 2.7% over the same timeframe.

- According to the China Food Manufacturing Annual Report (USDA, 2013), many food manufacturers in China are using high-quality ingredients, among other strategies, to better distinguish themselves from the competition. The demand for high quality could boost the use of imported food ingredients. The report goes on to say that products not largely produced in China, or those enjoying price advantages, are creating opportunities for suppliers who are willing to strengthen their marketing efforts.

DISTRIBUTION

- According to Euromonitor, purchases of fruit/vegetable juice in China were made primarily through supermarkets, hypermarkets, and convenience stores in 2012.
- National-level hypermarket/supermarket retailers (Lianha and Nonggongshang) and major international retail giants (RT-Mart, Metro, Carrefour, Wal-mart, etc.) are growing in Chinese cities, and are gaining consumer confidence (USDA, 2013). Convenience stores such as Family Mart and 7-11 are strong players that are focusing on the younger generation, providing small, packaged food and beverages, including both local and imported varieties.
- The supply chain in China remains under-developed and complex and is centered around multiple layers of distributors and wholesalers.
- In terms of grocery sales, the top five retailers in China, in order of importance are Auchan, Walmart China, China Resources Enterprise, Carrefour, and Shanghai Bailian Corporation.

NEW PRODUCTS

- Mintel reported that, from September 2012 to September 2013, there were 442 juice drink products launched in China. Of that total:
  - **261** were *fruit/flavoured still drinks* (ready-to-drink non-carbonated beverages that are fruit or non-fruit flavoured, and that tend to have less than 24% fruit or vegetable juice content);
  - **143** were *nectars* (products that are 25-99% juice); and
  - **38** were *juices (*products of 100% fruit or vegetable juice, whether or not from concentrate).

New Juice Drink Product Launches from September 2012 to September 2013 – Top three claims

Fruit/Flavoured Still Drinks		Nectars		Juice	
Claim	Number of Variants	Claim	Number of Variants	Claim	Number of Variants
1.No additives/ preservatives	62	1.Not specified	18	1. No additives/ preservatives	61
2.Other functional	17	2.Low/no/reduced sugar	9	2. Antioxidant	8
3.Low/no/reduced sugar	11	3.Ethical – enviro. friendly packaging	6	3. Low/no/reduced sugar	8

***Source:** Mintel, 2013*

- The most popular package characteristics for new juice/vegetable products launched in China between September 2012 and September 2013 were 500-ml, Polyethylene terephthalate (PET) bottles with plastic caps. In total, plastic PET type bottles made up 37% of the total products that were launched. Following that, glass bottles accounted for 28% of the new juice products.

New Product Examples

	Rock Sugar and Pear Drink The Shan Xin Yuan Bing Tang Xue Li Yin Liao (Rock Sugar and Pear Drink) is said to nourish lungs. **Brand:** Shan Xin Quan **Launch Date:** Sept. 2013 **Price:** US$0.98 **Size:** 2 litre **Claims:** Other functional **Ingredients**: water, white granulated sugar, concentrated pear juice, rock sugar, food additives [citric acid, carboxymethyl cellulose, sodium cyclamate, sodium hexametaphosphate, sodium citrate, sodium d-isoascorbate, potassium sorbate, acesulfame-K, aspartame [phenylalanine], tartrazine, flavourings).

	Carrot and Mixed Fruit Juice Mr Juicy Hu Luo Bo Guo Shu (Carrot and Mixed Fruit Juice) contains greater than or equal to 50% juice. **Brand:** Mr. Juicy **Launch Date:** Sept. 2013 **Price:** US$0.80 **Size:** 250 ml **Claims:** None **Ingredients**: water, white granulated sugar, concentrated carrot juice, concentrated apple juice, concentrated white grape juice, concentrated lemon juice, salt, food additives (pectin, citric acid, food flavouring, xanthan gum, potassium sorbate, sodium benzoate).

	Blueberry Juice Wallén Lan Mei Guo Zhi (Blueberry Juice) is free from preservatives, colourings, white granulated sugar and flavourings. This product is said to be rich in SOD. **Brand:** Wallen **Launch Date:** Sept. 2013 **Price:** US$6.35 **Size:** 310 ml **Claims:** Low/no/reduced sugar, no additives/preservatives **Ingredients**: blueberry juice, purified water, fructose, trehalose, pectin.

OPPORTUNITIES

While the juice market in China is well established, sales are dominated by juice drinks, which are usually considered to be a low-end and lower-cost variety of drink. The juice drink market in China has dominated sales of the fruit/vegetable juice market over the past few years, and is predicted to continue that trend into the future. By 2017, however, the growth rate of nectars will be almost at par with that of juice drinks presenting a substantial opportunity for nectar drink manufacturers to seriously take a much closer look towards China for possible product development or expansion in the nectar category. Other juice types in the category have a much higher price threshold and could cater to China's high-income earners with high health-consciousness, as the targets of high concentration juice, imported juice and not-from-concentrate juice alike. Private label could also be a market point-of-entry for the less well off, more price-sensitive consumers. This strategy could encourage them to progress into another, more lucrative juice segment.

CONCLUSION

The health and wellness trend is strong in China and it will continue to drive food and beverage purchases that will contribute to both a healthier lifestyle, and/or manage chronic illnesses. Chinese consumers will likely shift their purchases toward fruit/vegetable juice products and away from soft drinks, which are seen as less healthy. Juice drinks is the sector's leading sub-category, with volume sales expected to continue a healthy growth curve with a very high compound annual growth rate up until 2017, far outperforming others in the category. However, Euromonitor is anticipating the juice drink category in China will see their sales lead decline slightly, and will parallel the growth rate of nectar by 2017.

Chinese fruit/vegetable juice consumers showing the most promise for building market value possess attributes that include those with high incomes (more than US$5,999 per annum), between 30-39 years of age, have a low price-sensitivity, or are of the male gender. Health-conscious seniors, aged 55 to 79 (293 million people in 2012) is another key demographic that holds great market potential for fruit/vegetable juices, especially those that claim to reduce the effects of many age-related illnesses, such as diabetes and heart disease.

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Agriculture and Agri-Food Canada, Global Analysis Division
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

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